

PUBLIC DISCLOSURE

SEPTEMBER 13, 2010

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

NORTHERN BANK & TRUST COMPANY

18266

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<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks or the Federal Deposit Insurance Corporation concerning the safety and soundness of this financial institution.</p>

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GENERAL INFORMATION

The Community Reinvestment Act ("CRA") requires the Massachusetts Division of Banks ("Division") and the Federal Deposit Insurance Corporation ("FDIC") to use their authority when examining financial institutions subject to their supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agencies must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **NORTHERN BANK & TRUST COMPANY BANK (or the "Bank")** prepared by the Division and the FDIC, the institution's supervisory agencies.

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory."

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Intermediate Small Bank (ISB) CRA procedures were utilized for the evaluation¹. The assigned rating is based on the results of two performance tests; the Lending Test and the Community Development Test. The Bank's performance under each of these two tests is summarized below:

Lending Test: Satisfactory

Loan-to-Deposit Ratio – The Bank's average net loan-to-deposit (LTD) ratio, at 119.8 percent is more than reasonable given the institution's size and assessment area credit needs. As of June 30, 2010 the ratio was 108.9 percent. Fluctuations in the Bank's LTD ratio can be attributed to the Bank's practice of selling loans on the secondary market. During the review period the Bank sold 165 loans totaling approximately \$38 million.

Assessment Area Concentration – A majority of the Bank's home mortgage and small business loans were made within the assessment area. During the review period, the Bank originated 60.4 percent of its small business loans and 52.4 percent of its residential loans inside the assessment area. Overall, 59 percent of the Bank's loans were originated inside the assessment area.

Borrower Characteristics – The Bank demonstrated a reasonable penetration of loans to individuals of different income levels and business of different sizes. The Bank exceeded the aggregate to low-income borrowers in 2008 and 2009. The Bank also performed well to moderate-income borrowers, exceeding the aggregate in 2008, but falling below the aggregate in 2009. The Bank originated approximately 55 percent

¹ Intermediate Small Bank CRA procedures were used as Northern Bank & Trust's assets have exceeded \$258 million for at least eight calendar quarters yet have remained under the \$1 billion dollar threshold of a Large Bank.

(2008) and 49 percent (2009) of its small business loans to businesses with gross annual revenues (GARs) of \$1 million or less.

Geographic Distribution – The Bank’s dispersion of home mortgage and small business loans within the assessment area’s moderate-income tracts was excellent. Home mortgage loans within moderate income borrowers, at 8.8 percent, significantly exceeded the aggregate, 1.8 percent in 2008. In addition, the Bank’s small business dispersion, at 10.4 percent, also exceeded the aggregate at 2.2 percent.

Response to CRA Complaints – The Bank did not receive any CRA-related complaints during the evaluation period.

Community Development Test: Satisfactory

- During the evaluation period the Bank made an adequate level of qualified community development loans. The Bank originated six new loans and modified or renewed seven loans. The Bank’s community development loans during the evaluation period totaled \$9.1 million.
- The Bank’s qualified investment activity was considered adequate. The Bank utilized both equity investments and qualified donations and grants to meet the needs of the assessment area.
- The Bank, through its officers and employees, provided an adequate level of support to qualified community development organizations in the assessment area.

Scope of Evaluation

This evaluation was conducted jointly by the Division and FDIC. ISB CRA procedures were utilized for the evaluation. These procedures utilize two performance tests: the Lending Test and the Community Development Test. This evaluation considered the Bank’s lending and community development activities for the period of September 14, 2007 through September 13, 2010. The data and applicable timeframes for the Lending Test and the Community Development Test are discussed below.

Small business and home mortgage loans originated in 2008, 2009, and the first six months of 2010 (January through June) were included in the analyses. The 2010 activity is generally discussed in the narrative and denotes any significant trends, as applicable. Small business loans, for the purposes of this evaluation, include commercial real estate loans and commercial and industrial loans with original balances of \$1 million or less that are disclosed on the Bank’s Consolidated Report of Condition

and Income. The Bank's small business lending activity was compared to the aggregate data as the Bank reports its small business loans. The Bank's small business lending performance was also compared to pertinent 2008 demographic information. Under CRA, a home mortgage loan is considered to be a home improvement, home purchase, or refinancing of a dwelling-secured loan. Home mortgage loans were reported, pursuant to the Home Mortgage Disclosure Act ("HMDA") reporting requirements, using the Loan Application Register ("LAR"). Please note that the Bank's residential lending performance was compared with the 2008 aggregate data. At the time of this evaluation, the 2008 aggregate data was the most recent data available.

More weight was given to small business loans as they make up 70.5 percent of the loan portfolio with home mortgage loans represent 25.8 percent. Small farm loans were not considered since the Bank made no small farm loans during the evaluation period. Consumer lending (.3 percent) was also excluded from this analysis since it accounts for only a minor portion of the Bank's overall lending activity and the Bank does not collect information regarding such activity.

The Community Development Test consists of community development loans, investments, and services. For purposes of this evaluation, the period used within the Community Development Test, unless otherwise noted, covers activity since the previous CRA evaluation dated September 14, 2007, through the current evaluation. Qualified equity investments currently held by the Bank were also included regardless of investment date. The investments were valued at the December 31, 2009 book value.

The demographic data referenced throughout the evaluation was obtained from the 2000 United States (U.S.) Census.

PERFORMANCE CONTEXT

Description of Institution

Northern Bank & Trust Company is an independently-owned commercial bank and a subsidiary of Northern Bancorp, Incorporated. The Bank's main office is located at 275 Mishawum Road in Woburn, MA. In addition, the Bank operates 10 branch offices in Acton, Billerica, Burlington, Chelmsford, Littleton, Melrose, Westford, and Woburn (3).

As of June 30, 2010, the Bank's total assets were approximately \$635 million. Total loans as of this date were \$515 million and represented 81.1 percent of total assets.

The Bank is primarily a commercial lender. Commercial loans, including commercial and industrial, as well as commercial real estate loans, represent 70.5 percent of the total loan portfolio. Home mortgage loans, including 1-4 family and multi-family residential loans, represent the second most significant percentage of the loan portfolio, at 25.8 percent. Table 1 illustrates the institution's loan portfolio composition as of June 30, 2010.

Table 1		
Loan Portfolio Distribution as of June 30, 2010		
Loan Type	Dollar Volume \$(000)	Percentage of Total Loans
Commercial Real Estate	253,871	49.2
Commercial and Industrial Loans	109,666	21.3
Closed-end 1-4 Family Residential First Lien	66,097	12.8
Construction and Land Development	31,457	6.1
Revolving Open-end 1-4 Family Residential	22,044	4.3
Obligations of States and Political Subdivisions	16,064	3.2
Multi-family Residential	13,602	2.6
Closed-end 1-4 Family Residential Junior Lien	1,146	0.2
Consumer Loans	1,084	0.3
Total Loans	515,031	100.0

Source: June 30, 2010 Consolidated Report of Condition

The last CRA Evaluation was conducted by the Division and the FDIC on September 14, 2007. The evaluation resulted in overall CRA rating of "Satisfactory".

There are no significant financial or legal impediments that limit the Bank's ability to help meet the credit needs of its assessment area. However, it is noted that the Bank operates in a highly competitive environment, with 348 lenders originating one or more loans within the assessment area.

Description of Assessment Area

The CRA requires financial institutions to define a specific assessment area (or areas) within which they will concentrate their lending efforts. The Division and the FDIC evaluate an institution's CRA performance within one or more defined assessment area(s). Assessment areas are expected to consist of Metropolitan Statistical Areas (MSAs), Metropolitan Divisions (MDs), or contiguous political subdivisions such as counties, cities, towns, or census tracts. The Bank's assessment area, as currently defined, meets the technical requirements of the regulation, as it is made up of whole geographies and does not arbitrarily exclude low- or moderate-income areas.

The Bank has not changed its assessment area since the previous CRA evaluation. The assessment area consists of the following municipalities: Acton, Billerica, Burlington, Chelmsford, Lexington, Littleton, Melrose, Stoneham, Reading, Westford, Winchester, and Woburn. These municipalities are located within Middlesex County, in the Cambridge-Newton-Framingham, Massachusetts MD.

Census Tract Income Levels

Each census tract is assigned an income level based on the median family income (MFI) of the tract as compared to the MFI established for the MSA or MD in which the tract is located. The four income levels are defined as follows:

Low-income:	Less than 50% MFI
Moderate-income:	At least 50% but less than 80% of MFI
Middle-income:	At least 80% but less than 120% of MFI
Upper-income:	Equal to or greater than 120% of MFI

The Bank's assessment area contains 59 census tracts. There are no low-income census tracts. Of the 59 census tracts, a substantial majority 36 (61.0 percent) are middle-income, 21 (35.6 percent) are upper-income census tracts and 2 (3.39 percent) are moderate-income census tracts. The 2 moderate-income census tracts are located in Woburn.

Median Family Income Levels

The home mortgage lending portion of the Borrower Characteristics section of the Lending Test is based on the distribution of home mortgage loans to borrowers of different incomes, especially to those of low- and moderate-income. Income levels are broken down into the same four categories as described above (low-, moderate-, middle-, and upper-); however, this analysis is based on the annual HUD-adjusted MFIs for each applicable MSA/MD. The MFI's are based on 2000 U.S. Census data and have been annually adjusted for inflation and other economic events. The MFI's for the assessment area, as indicated by 2000 U.S. Census data, is \$67,501. Using data collected during the 2000 Census, the weighted average of the HUD updated MFI for the Cambridge-Newton-Framingham, MA MD was \$93,000 in 2008 and \$97,100 in 2009.

Population

According to 2000 U.S. Census data, the total population of the assessment area is 306,468. The assessment area further comprises 113,937 households of which 83,169 are families. Table 2 shows the distribution of families by income level.

Table 2		
Number and Percentage of Families by Income Level		
Income Category	2000 Census	
	Number of Families	% of Total Families
Low-Income	10,834	13.0
Moderate-Income	13,413	16.2
Middle-Income	19,914	23.9
Upper-Income	39,008	46.9
Total	83,169	100.0

Source: 2000 U.S. Census Data.

Providing further insight into the demographic composition of the assessment area population is the stratification of families by income level of census tract. Of the total assessment area families, the majority reside in middle-income census tracts (62.3 percent), whereas 35.5 percent reside in upper-, and 2.2 percent reside in moderate-income tracts.

Housing

According to 2000 U.S. Census data, the assessment area contains 116,758 housing units of which 87,869 or 75.3 percent are owner-occupied and 25,949 or 22.2 percent are occupied rental units. The vacancy rate throughout the assessment area is 2.0 percent. Combined, a substantial majority 97.2 percent of the assessment area's owner-occupied housing units are located within middle- and upper-income census tracts, representing 64.3 percent and 32.9 percent. Furthermore, of the 3,244 housing units located in moderate-income tracts, 1.6 percent are owner-occupied and 6.4 percent are rental units. This data suggests lending opportunities are somewhat limited within the moderate-income tracts of the assessment area.

The median age of housing stock is 31 years, while the median housing value is \$267,477 and the median monthly gross rent is \$901. The total annual privately-owned residential building permits issued in Massachusetts in 2008 was 9,883. This figure decreased to 7,941 in 2009. In Middlesex County, total privately-owned residential building permits issued in 2008 was 1,031. This number increased marginally to 1,047 in 2009. The source of the preceding information is the U.S. Census Bureau.

Table 3 illustrates certain housing characteristics within the Bank's designated assessment area based on 2000 U.S. Census Data. As previously mentioned, there are no low-income census tracts within the Bank's assessment area; therefore, this census tract income level is not included in Table 3.

Table 3 Selected Housing Characteristics by Income Category of the Geography								
Income Level of Census Tract	Percentage					Median		
	Households	Housing Units	Owner-Occupied	Rental Units	Vacant Units	Age	Home Value	Gross Rent
Moderate	2.7%	2.8%	1.6%	6.5%	6.1%	46	\$202,426	\$777
Middle	64.4%	64.3%	62.2%	71.5%	63.4%	30	\$225,316	\$856
Upper	32.9%	32.9%	36.2%	22.0%	30.5%	30	\$355,455	\$1,079
Total or Median	100.0%	100.0%	100.0%	100.0%	100.0%	31	\$267,477	\$901

Source: 2000 U.S. Census Data

The median housing value for the assessment area was \$267,477 according to the 2000 U.S. Census. More recent housing data obtain from The Warren Group, publishers of Banker's and Tradesman, reflects a substantially higher range of home values. Table 4 summarizes median sales prices for the cities and towns located within the designated assessment area in 2008 and 2009.

Table 4 Median Home Sales Prices – Assessment Area Municipalities		
City / Town	2008	2009
Acton	\$453,000	\$436,250
Billerica	\$300,000	\$297,750
Burlington	\$373,500	\$375,500
Chelmsford	\$285,650	\$290,000
Lexington	\$665,000	\$605,000
Littleton	\$340,000	\$329,900
Melrose	\$373,900	\$355,000
Reading	\$383,000	\$377,000
Stoneham	\$346,426	\$315,000
Westford	\$335,000	\$354,950
Winchester	\$636,000	\$600,000
Woburn	\$317,500	\$310,000

Source: The Warren Group

The Warren Group data indicates the area's median home sales price for 2009 ranged from a low of \$290,000 in Chelmsford to a high of \$605,000 in Lexington. With the exceptions of Burlington, Chelmsford and Westford, most of the other communities have seen yearly median price declines since 2008. The median price decline can be attributed to the soft housing market brought on by the sub-prime mortgage crisis. However, the data also demonstrates the affluent nature of the assessment area and exhibits the need for affordable housing opportunities.

Unemployment

The U.S. Bureau of Labor Statistics (BLS) indicated Massachusetts had an unemployment rate of 5.3 percent in 2008, and a substantial increase to over 8.0 percent in 2009. The National figures according to the BLS were 5.8 percent in 2008 and 9.3 percent in 2009. Additionally, according to the Massachusetts Executive Office

of Labor and Workforce Development (Commonwealth of Massachusetts at www.mass.gov) the unemployment rates for the Boston-Cambridge-Quincy, MA-NH Metropolitan area, which is where the Cambridge-Newton-Framingham, MA MD is located, were 4.8 percent in 2008 and 7.8 percent in 2009, lower than both the State unemployment rates and the National figures for both years. Table 5 displays the unemployment rates for the cities and towns located within the designated assessment area in 2008 and 2009.

Table 5		
Unemployment Rates – Assessment Area Municipalities		
City / Town	2008	2009
Acton	3.5	6.0
Billerica	4.8	8.2
Burlington	4.0	6.8
Chelmsford	4.3	7.3
Lexington	3.6	6.0
Littleton	4.0	6.7
Melrose	4.2	7.2
Reading	4.0	7.1
Stoneham	4.7	7.6
Westford	4.0	7.2
Winchester	3.6	6.1
Woburn	4.7	8.2

Source: Massachusetts Office of Labor and Workforce Development

The 2009 unemployment rate for each municipality within the assessment area represent significant increases from 2008. The increasing unemployment rate is a strong indicator of a weakening economy in these areas and could be a factor in the limited demand for home mortgage loans.

Business Demographics

A state's Gross Domestic Product (GDP) is determined by the sum of what consumers, businesses, and government spend on final goods and services. Therefore, a state's GDP is a measure of the value of final goods and services produced by all industries during a given timeframe. In 2007, the Commonwealth of Massachusetts had a real GDP of \$306.5 billion, representing an increase of 3.0 percent from 2006. GDP growth slowed to some extent in 2008 as compared to 2007, with a percentage increase of 1.9 percent over the year with GDP at \$312.5 billion (U.S. Bureau of Economic Analysis at www.bea.gov). The Bureau of Economic Analysis data also indicates that compared to other metropolitan areas, the real GDP increased in the Boston-Cambridge-Quincy, MA-NH Metropolitan area, which is where the Cambridge-Newton-Framingham, MA MD is located. Real GDP in the Boston-Cambridge-Quincy, MA-NH was \$289.4 billion in 2007 and increased to \$300 billion in 2008.

Mortgage market share information obtained from CRA Wiz based on 2008 aggregate lender performance indicates that among 348 lenders in the assessment area, the Bank ranked 63rd capturing 0.27 percent of the market share in total loans originated or purchased within its assessment area. Countrywide Bank, FSB ranked first in market share with 9.83 percent followed by JP Morgan Chase Bank, NA with 7.74 percent.

According to 2009 Dun & Bradstreet business geodemographic data there were 31,259 non-farm businesses located in the Bank's assessment area, representing 98.3 percent of total businesses. A majority of non-farm businesses (74.2 percent) within the assessment area have GARs of \$1 million or less. A fair percentage of total non-farm businesses (18.5 percent) did not report revenues. The remainder of businesses had GAR greater than \$1 million. Of the total non-farm businesses, 64.9 percent are located in middle-income census tracts, 32.7 percent in upper-income, and 2.4 percent are in upper-income census tracts. The highest proportion of these business establishments are engaged in the services and in retail trade industries. In terms of employees, 66.6 percent of the area's businesses employ four or fewer people.

Local Economic Conditions

The Greater Boston Area has over 68 colleges and universities with a diversified group of large employees in the health care, financial services, education, defense and manufacturing sectors. According to the Massachusetts Office of Small Business and Entrepreneurship, small businesses represent 85 percent of all Massachusetts companies and employ over a quarter of the workforce. The recession in the State appears to be moderating and job losses appear to be concentrated primarily in the services industry. The homebuyer tax credit, low mortgage rates, and earlier price declines have led to higher affordability, boosting home sales. However, home sales have since declined after the expiration of the homebuyer tax credit program, but according to the Massachusetts Association of Realtors, home sales are expected to rise due to the historic low interest rates.

Community Contacts

As part of the evaluation process, a third party, active in community affairs, is contacted to assist in assessing the housing and business needs of the Bank's assessment area. Relevant information from this practice assists in determining whether local financial institutions are responsive to the credit needs of the community, and what further opportunities, if any, are available. An interview was conducted with a municipal redevelopment authority. The contact described local financial institutions as being supportive of community development efforts. While the contact discussed, in general, on-going community development programs in the community, the contact was not aware of any other banking or credit related needs. The contacted party had a very favorable opinion of the Bank.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LENDING TEST

1. Loan-to-Deposit Ratio

The Bank's LTD ratio is more than reasonable, considering the size of the institution, financial condition, assessment area credit needs and general economic conditions.

This performance criterion measures what percentage of the Bank's deposit base is reinvested in the form of loans and evaluates its appropriateness. The evaluation of the Bank's LTD ratio considers seasonal variations and takes into account lending-related activities, the institution's size, and financial condition.

The Bank's average LTD ratio for the past 12 quarters was calculated at 119.8 percent. The current net LTD ratio, as of June 30, 2010 is 108.9 percent. When compared to five similarly situated institutions, both in terms of loan portfolio composition and total assets, the Bank's average net LTD of 119.8 percent was the highest of all financial institutions. During the 12 quarters since the previous examination, the bank's LTD ratio was generally consistent, experiencing a low of 108.9 percent as of June 30, 2010 and a high of 129.1 percent as of December 31, 2008. Fluctuations in the Bank's LTD during the period can be attributed to the Bank's practice of selling loans on the secondary market. During the period under review, the Bank sold 165 loans totaling approximately \$38 million.

The ability of the Bank to maintain a consistently high ratio, despite the high level of lending competition in the assessment area, as well as the deteriorating economic conditions that occurred during the evaluation period is considered more than reasonable.

2. Assessment Area Concentration

The Bank's performance under this criterion is considered satisfactory as a majority of loans and other lending-related activities are in the institution's assessment area.

This performance criterion assesses whether the Bank originated a majority of its loans within its assessment area. The analysis includes both residential and small business loans; however, given the Bank's lending focus, more weight was placed on commercial lending. Table 6 illustrates the Bank's record of extending home mortgage and small business loans inside and outside the assessment area for each year by number and dollar amount.

Table 6 Distribution of Loans Inside and Outside of Assessment Area										
Loan Category or Type	Number Loans					Dollar Volume				
	Inside		Outside		Total	Inside		Outside		Total (000)
	#	%	#	%		\$ (000)	%	\$ (000)	%	
2008										
Home Purchase	4	20.0	16	80.0	20	2,416	33.1	4,886	66.9	7,302
Refinance	18	58.1	13	41.9	31	4,532	42.0	6,252	58.0	10,784
Home Improvement	12	92.3	1	7.7	13	1,954	85.7	325	14.3	2,279
2008 Total	34	53.1	30	46.9	64	8,902	43.7	11,463	56.3	20,365
2009										
Home Purchase	13	56.5	10	43.5	23	7,238	63.0	4,254	37.0	11,492
Refinance	7	50.0	7	50.0	14	2,832	47.1	3,181	52.9	6,013
Home Improvement	1	25.0	3	75.0	4	125	10.5	1,065	89.5	1,190
2009 Total	21	51.2	20	48.8	41	10,195	54.5	8,500	45.4	18,695
Total Home Loan	55	52.4	50	47.6	105	19,097	48.9	19,963	51.1	39,060
Small Business										
2008	144	61.0	92	38.0	236	32,171	51.9	29,833	48.1	62,004
2009	149	59.8	100	40.2	249	24,446	49.6	24,808	50.4	49,254
Total Small Business	293	60.4	192	40.0	485	56,617	50.9	54,641	49.1	111,258
Grand Total	348	59.0	242	41.0	590	75,714	50.4	74,604	49.6	150,318

Source: 2008 and 2009 HMDA LARs and Small Business Loan LAR

As illustrated in Table 6, the Bank originated a total of 485 small business loans totaling \$111 million in 2008 and 2009. Of these loans, 60.0 percent by number and 50.9 percent by dollar volume were originated within the assessment area. The Bank also originated a total of 105 home mortgage loans totaling \$39 million in 2008 and 2009. Of these loans, 52.4 percent by number and 48.9 percent by dollar volume were originated within the assessment area. The following sections discuss the Bank's performance under this criterion by product line.

Small Business Lending

The Bank extended a majority, or 61.0 percent by number and 51.9 percent by dollar volume, of all small business loans inside the assessment in 2008. The percentage of small business lending inside the assessment area decreased slightly in 2009 both by number (59.8 percent) and by dollar volume (49.6 percent) in 2009. However, the Bank's small business lending in 2010 (through June) shows an increasing trend. The Bank extended 64.8 percent by number inside the assessment area in 2010. While there was a slight downward trend in small business lending in 2009, the figure still demonstrates the Bank's willingness to lend within its assessment area.

There were 106 lenders that reported small business loan originations in Middlesex County for 2008. Northern Bank & Trust Company was ranked 19th, with a market share (by number) of 0.30 percent, and 2.9 percent (by dollar amount). Aggregate small business data is reported on a county level; therefore, market share data is skewed when analyzing performance within the assessment area. As a result, the Bank's market share is reflective of its performance in Middlesex County and not on its performance within its defined assessment area.

It should be noted that small business aggregate data also includes small business lenders such as American Express Bank, FSB; Chase Bank USA, NA; and CitiBank (South Dakota), NA, that originate a significant number of loans, generally in relatively small dollar amounts, through small business credit card lending. This activity is difficult for smaller community banks with which to compete. The small business lenders previously mentioned had average loan sizes of less than \$10,000. Northern Bank & Trust Company's average loan size to small businesses was \$226,000 in 2008. The data demonstrates the Bank's support of small businesses located within its assessment area.

Home Mortgage Lending

As depicted in Table 6, Northern Bank & Trust Company reported 64 home mortgage loans in 2008. This number decreased to 41 loans in 2009. However, in both years, the Bank originated a majority of loans within its assessment area (by number). As displayed, the majority of the Bank's lending activity inside the assessment area was in the form of refinance and home purchase loans. In 2010 (through June), the Bank originated 13 (56.5 percent) of its 23 home mortgage loans inside its assessment area.

As previously discussed in the *Description of Assessment Area* section, there were 348 lenders that reported home mortgage loans in the Bank's assessment area in 2008. Northern Bank & Trust Company ranked 63rd with a market share of 0.27 percent by number and 0.24 percent by dollar volume. A vast majority of the higher ranked institutions were much larger in terms of asset size. Given the overall percentage of loans inside the area and 2008 market ranks, the Bank's performance is considered adequate.

Overall, the Bank's performance relative to this component is considered adequate, with an adequate percentage of home mortgage and small business loans originated in its delineated assessment area.

3. Geographic Distribution

The geographic distribution of loans was reviewed to assess the Bank's performance in addressing credit needs throughout its assessment area. The primary focus of this analysis was to assess the Bank's loan distribution in its assessment area, with emphasis placed on lending in low- and moderate-income census tracts. Overall, the geographic distribution of home mortgage and small business loans reflects excellent dispersion throughout the assessment area.

Small Business Lending

The geographic distribution of the Bank's small business lending reflects excellent dispersion throughout the assessment area. As shown in Table 7, the Bank made 15 loans, or 10.4 percent, in moderate-income census tracts in 2008. This percentage far exceeds both the percentage of total businesses in the moderate-income census tracts (2.4 percent) and the aggregate market percentage (2.2 percent). The percentage of the Bank's lending to small businesses located in the moderate-income census tracts decreased in 2009 to 8.7 percent; however, this percentage is still higher than the percentage of small businesses located in the moderate-income census tracts.

Table 7						
Distribution of Small Business Loans by Income Category of Census Tract						
Census Tract Income Level	% Total Businesses	2008 Aggregate Data	2008 Bank Data		2009 Bank Data	
		% of #	#	% of #	#	% of #
Moderate	2.4	2.2	15	10.4	13	8.7
Middle	64.9	63.7	111	77.1	117	78.5
Upper	32.7	34.1	18	12.5	19	12.8
Total	100.0	100.0	145	100.0	149	100.0

Source: 2000 U.S. Census, 2008 Aggregate CRA Data, 2008 and 2009 Small Business Loan Registers

As discussed previously, the moderate-income tracts have limited opportunities for mortgage and small business lending with enormous competition from local and national lenders. As was also previously stated, the market share represents all small business loan activity throughout Middlesex County, which is significantly larger than the Bank's assessment area. Therefore, under these constraints, the Bank's performance is excellent.

Home Mortgage Lending

This analysis includes comparisons of the distribution of residential mortgage loans among the area's various tracts to the percentage of total owner-occupied housing units within those areas, as well as a comparison to aggregate performance data. Table 8 contains a summary of the Bank's 2008 and 2009 home mortgage lending activity by loan category and percentage of loans within each of the income tract categories. In addition, Table 8 also compares the Bank's 2008 performance against the aggregate market performance. Please note the omission of the low-income census tract category from the table and corresponding narrative, as the assessment area does not contain any low-income census tracts. The geographic distribution of the Bank's home mortgage lending reflects excellent dispersion throughout the assessment area.

Table 8 Distribution of Home Mortgage Loans by Income Category of Census Tract						
Census Tract Income Level	% of Owner- Occupied Housing Units	2008 Aggregate Data	2008 Bank Data		2009 Bank Data	
		% of #	#	% of #	#	% of #
Moderate	1.6	1.8	3	8.8	1	4.8
Middle	62.2	61.1	25	73.5	14	66.6
Upper	36.2	37.1	6	17.7	6	28.6
Total	100.0	100.0	34	100.0	21	100.0

Source: 2000 U.S. Census, 2008 Aggregate HMDA Data, 2008 and 2009 HMDA LARs.

Although the geographic distribution of home mortgage loans is considered excellent, as depicted by Table 8, the 2008 analysis is based on only three loans originated in moderate-income census tracts. The Bank's percentage in 2008, at 8.8 percent, exceeded the aggregate's percentage of 1.8 and also exceeded the percentage of owner-occupied units in those tracts. The Bank's performance in the moderate-income tracts decreased (by number and percentage) in 2009 as the Bank originated only 1 loan (4.8 percent).

A market share analysis for 2008 was also performed on residential loan originations in moderate-income census tracts to determine how the Bank compared in market share ranking. As discussed above, 348 lenders originated at least one loan within the Bank's assessment area. Of the 348 lenders, 75 lenders originated loans in the moderate-income census tracts in 2008. Northern Bank & Trust Company ranked 9th with 1.31 percent of the market share. Two other local banks were ranked higher than the Bank.

Considering the limited lending opportunities in moderate-income census tracts as well as the number of lenders competing for the small share of loans in those tracts, the Bank's overall performance, as it relates to the geographic distribution of the loans originated in 2008 and 2009, reflects excellent dispersion throughout its assessment area.

4. Borrower Characteristics

The distribution of loans classified by borrower income and business revenue was reviewed to determine the extent to which the Bank is addressing the credit needs of its assessment area residents and small business customers. The overall distribution of loans, given the demographics of the assessment area, reflects reasonable penetration among individuals of different income levels and businesses of different sizes.

Small Business Lending

The distribution of borrowers reflects, given the product lines offered by the institution, good penetration among business customers of different sizes. Emphasis is placed on loans to small businesses, or those with GAR of \$1 million or less. Table 9 below depicts the Bank's small business lending performance by size of the business for 2008 and 2009. The table includes the distribution of businesses in the assessment area by size and the performance of the aggregate market for comparison purposes.

Table 9 Distribution of Small Business Loans by Gross Annual Revenues of Business						
Gross Annual Revenues (000s)	% Non-Farm Small Businesses	2008 Aggregate Data	2008 Bank Data		2009 Bank Data	
		% of #	#	% of #	#	% of #
≤ \$1,000	74.2	25.5	80	55.6	73	49.0
>\$1,000 or NA	25.8	74.5	64	44.4	76	51.0
Total	100.0	100.0	144	100.0	149	100.0

Source: Dun & Bradstreet, 2008 Aggregate CRA Data, 2008 and 2009 Small Business Loan Registers

In 2008, the Bank originated 55.6 percent of all small business loans by number to businesses with GAR of \$1 million or less. This figure significantly exceeds the aggregate market performance of 25.5 percent. Despite a decrease in 2009 to 49.0 percent, the Bank's performance remained good and reflects the Bank's willingness to meet the credit needs of small businesses within its assessment area.

In a further effort to determine the Bank's success in originating small business loans to small businesses, an analysis of origination activity by loan amount was also performed. As illustrated in Table 10, 53.5 percent of small business loans originated by the Bank in 2008 inside the assessment area were in amounts of \$100,000 or less. This percentage is considerably lower than the aggregate market performance of 96.2 percent; however, the aggregate market data is skewed by the large financial institutions that issue business purpose credit cards.

Table 10 Distribution of Small Business Loans by Loan Size					
Loan Size (000s)	2008 Aggregate Data	2008 Bank Data		2009 Bank Data	
	% of #	#	% of #	#	% of #
≤ \$100	96.2	77	53.5	85	57.1
> \$100 ≤ \$250	1.8	26	18.0	34	22.8
> \$250 ≤ \$1,000	2.0	41	28.5	30	20.1
Total	100.0	144	100.0	149	100.0

Source: Dun & Bradstreet, 2008 Aggregate CRA Data, 2008 and 2009 Small Business Loan Registers.

While there is no aggregate market data for 2009 with which to compare the Bank's performance, the Bank's lending in amounts of \$100,000 or less indicates an increasing trend in 2009. In 2009, the Bank originated 57.1 percent of small business loans with amounts of \$100,000 or less. The size of the loan is used as a proxy to determine if the Bank is assisting the credit needs of small- to medium-sized businesses. Partial year (through June) data for 2010 indicates that the Bank originated 72.2 percent of small business loans in amounts of \$100,000 or less. The Bank's performance of originating loans equal to or less than \$100,000 is considered to be good performance of serving the credit needs of the small businesses within its assessment area, especially where all of the Bank's loans are true small business loans without any credit card originations.

Home Mortgage Lending

The distribution of loans by borrower income reflects, given the product lines offered by the institution, good penetration among retail customers of different income levels. Table 11 illustrates the distribution of the Bank's home mortgage loans by borrower income level for 2008 and 2009. For comparison purposes, the table includes the percentage of total families by income level and the aggregate lending data.

Table 11						
Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Total Families	2008 Aggregate Data	2008 Bank Data		2009 Bank Data	
		% of #	#	% of #	#	% of #
Low	13.0	5.5	4	11.7	2	9.5
Moderate	16.1	17.3	9	26.5	2	9.5
Middle	23.9	28.8	2	5.9	5	23.8
Upper	47.0	45.9	14	41.2	8	38.1
NA	--	2.5	5	14.7	4	19.1
Total	100.0	100.0	34	100.0	21	100.0

Source: 2000 U.S. Census, 2008 Aggregate HMDA Data, 2008 and 2009 HMDA LARs. Percentages may not total 100 due to rounding.

As shown in Table 11, Northern Bank & Trust Company made 11.7 percent of all home mortgage loans (by number) to low-income borrowers in 2008. This percentage was more than double the aggregate percentage of 5.5 percent, but was less than the 13.0 percent of total assessment area families that are low-income. However, it is not expected that the Bank would match the percentage of low-income families, as a large portion of these families would not qualify for home mortgage loans. In 2009, the Bank's percentage of loans to low-income borrowers decreased to 9.5 percent which is still below the percentage of low-income families in the assessment area. Partial year (through June) 2010 data indicates a strong performance by the Bank in lending to low-income borrowers. The data indicates that the Bank originated 38.5 percent of all home mortgage loans (by number) to low-income borrowers in 2010.

The Bank's 26.5 percent to moderate-income borrowers in 2008 was more than the aggregate lending performance of 17.3 percent and the percentage of moderate-income families (16.1 percent). The Bank's performance in 2009 is again lower than its 2008 performance. In 2009, the Bank made 9.5 percent of all home mortgage loans (by number) to moderate-income borrowers. Overall, this data indicates that the Bank continues to lend to low- and moderate-income borrowers, although the data shows a decreasing trend. The 2008 market rank report also demonstrates the Bank's commitment to lending to low- and moderate-income borrowers in its assessment area. In 2008, the Bank ranked 16th in lending to low-income borrowers and 30th in lending to moderate-income borrowers. When further analyzed, the Bank ranked 54th in terms of total market share by number of home mortgage loans; therefore, the Bank's ranking of 16th specifically to low-income borrowers demonstrates the Bank's commitment to

meeting the credit needs of the assessment area's low-income borrowers. Institutions ranking higher in terms of lending to low-income individuals in the assessment area primarily consist of large mortgage companies, regional financial institutions and some local banks.

The Bank's performance in this criterion is good given the affluent nature of the assessment area. It is noted that many low-income families would not qualify for a mortgage given the high value of home prices. As discussed previously, the vast majority of assessment area communities had median sales prices of homes above \$300,000 in 2008 and 2009.

5. RESPONSE TO CRA COMPLAINTS

The Bank has not received any CRA-related complaints during the evaluation period; however, procedures are in place in the event a complaint is received.

COMMUNITY DEVELOPMENT TEST

The Community Development Test evaluates the Bank's responsiveness to the community development needs of its assessment area through the provision of community development loans, qualified investments, and community development services as appropriate, considering the institution's capacity and the need and availability of such opportunities for community development in the institution's assessment area(s). The Bank's community development performance demonstrates an adequate responsiveness to the community development needs of its assessment area.

COMMUNITY DEVELOPMENT LOANS

As defined in the CRA regulation, a community development loan has as its primary purpose: affordable housing for low- and moderate-income individuals, community services targeted to low- and moderate-income individuals, activities that promote economic development by financing small businesses or small farms, or activities that revitalize or stabilize low- and moderate-income geographies. In addition, unless for a multi-family dwelling (five or more units), the loan must not be reported as a home mortgage or small business loan.

The level of the Bank's community development lending is reasonable. The Bank granted \$9.1 million in community development loans by providing six new loans and seven loan renewals. The following details the Bank's community development loans.

- The Bank participated in a \$2.5 million construction loan to a non-profit organization in November of 2007. The loan was made through bond financing with the Massachusetts Development Finance Agency. The loan proceeds were used to build a new gymnasium and learning and technology center for a non-profit organization. The organization focuses on the welfare and development of youth, especially those from disadvantaged circumstances and provides child care and other services at an affordable price. The majority of the program recipients are low- or moderate-income. The Bank's portion of the loan totaled \$833,333.
- In June of 2008, the Bank provided \$800,000 in financing through a Massachusetts Development Agency Finance Bond for a refinance loan on a multi-family structure in Woburn. The loan was made to a non-profit charitable organization that provides affordable housing to senior women, the majority of which are low- or moderate-income.
- The Bank granted a \$2.9 million commercial mortgage loan to a non-profit organization in December of 2008. The organization provides community development services to mentally disabled individuals in Middlesex County. Support services include individualized training in community living and safety skills, financial and money management training and affordable housing services. The Bank also granted an unsecured \$100,000 loan to a non-profit venture started by this organization. The loan provided working capital and funded start up costs for this venture, which aims to provide employment to disabled individuals. In addition, in 2008, the Bank increased a line of credit from \$275,000 to \$375,000. The line of credit, secured by business assets was also renewed in 2009 and 2010. The Bank also granted a \$154,000 line of credit to the organization, which was renewed in 2008.
- In September of 2008, the Bank granted a \$300,000 term loan, secured by business assets, to a non-profit organization in Melrose. The organization provides services such as day care to low- and moderate-income families. The loan proceeds were used to renovate part of the facility. In addition, the Bank granted a \$300,000 line of credit secured by business assets to the organization in 2002; the loan was renewed in 2008, 2009 and 2010.
- In May of 2010, the Bank participated in a \$20.5 million loan to a non-profit nursing care facility which services the Greater Lowell area. The proceeds of the loan were used to build a new Transitional Care Unit for the facility, as well as to make renovations. The nursing home seeks to provide a full continuum of care. The 208 bed facility also contains 63 units of affordable senior housing. According to income statements, the majority of patients, 55.6 percent, receive Medicaid, the state governed program for low-income individuals. While approximately 13.9 percent receive Medicare, the federal program for individuals

65 and over and only approximately 21.7 percent are private pay. The remainder of the revenue is attributed to hospice patients and ancillary revenue. The Bank's participation amount was \$2 million.

COMMUNITY DEVELOPMENT INVESTMENTS

A qualified investment is defined as a lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

The institution's investment performance is evaluated pursuant to the following criteria: 1) the dollar amount of qualified investments; 2) the innovativeness or complexity of qualified investments; 3) the responsiveness of qualified investments to credit and community development needs; and, 4) the degree to which the qualified investments are not routinely provided by private investors. Per the regulation, qualified investments considered in this evaluation include all those acquired or made since the previous CRA examination as well as those made prior and still held by the institution, which are still outstanding and carried on the Bank's balance sheet.

Northern Bank & Trust Company has an adequate level of qualified community development investments and grants exhibiting a reasonable responsiveness to credit and community economic development needs. The Bank's qualified investments for the evaluation period, including qualified equity investments and qualified grants and donations, totaled approximately \$5.24 million.

Qualified Equity Investments

The Bank provided a good level of qualified equity investments totaling approximately \$5.2 million. This figure includes three Fannie Mae (FNMA) mortgaged backed securities and an investment in Access Capital Community Investment fund. The following details the Bank's investments.

- The Bank purchased Fannie-Mae mortgaged backed securities, where the underlying mortgages were made to low- and moderate-income individuals and benefited the assessment area. Three separate securities were purchased in February of 2009, October of 2009 and May of 2010 in the amounts of \$2.4 million, \$1.2 million, and \$565,536, respectively.
- In May of 2010, the Bank made a \$1 million investment in the Access Capital Community Investment Fund. Access Capital is a closed-end mutual fund investing in private placement debt securities for affordable housing, education, small business lending, and community development. The fund seeks investments that benefit a broad geographic area, including the assessment area.

Qualified Grants and Donations

Overall, the Bank provided a relatively low level of grant and donation activity. During the CRA evaluation period, the Bank provided qualified contributions totaling \$49,679.

In 2008, the Bank granted \$16,154 in grants and donations, of which \$8,225, or 50.9 percent, were CRA qualified. Qualified donations represented 0.12 percent of the Bank's pre-tax net operating income. In 2009, Northern Bank & Trust Company provided \$8,350 in qualified donations, representing 57.9 percent of total donations and 0.11 percent of the Bank's pre-tax net operating income in that year. For partial year 2010, the Bank's donations totaled \$19,110, of which \$8,355, or 43.7 percent, were CRA qualified. Qualified donations in the first two quarters of 2010 represented .09 percent of pre-tax net operating income. All qualified donations provided community development services to low- and moderate-income individuals.

The following is a representation of the Bank's contribution efforts.

Consumer Credit Counseling Service

A HUD-approved housing counseling agency, this non-profit service agency is the leading provider of financial counseling, financial education, debt management programs and housing counseling. The agency provides personalized, confidential financial advice and education about debt, credit, money management, budgeting and housing issues.

Woburn Council of Social Concern (WCSC)

WCSC is a private non-profit human services agency that offers affordable center-based and family child care; resource and referral information; supplemental and emergency food assistance; and family skill building education and support.

Mystic Valley Elder Services

The Bank provides support to the organization's Money Management Program. The program is a free service that assists low-income elders who are at risk of losing their independence due to inability to manage their own finances.

YMCA

The YWCA is a community-based group which creates unique programs that serve low-to-moderate income and at-risk populations. The Bank made contributions to the North Suburban YMCA, Melrose YMCA and Greater Boston YMCA.

Boys & Girls Club

The purpose of the organization is to give direction and guidance to young people, particularly those who are economically disadvantaged, by providing them with a safe haven from the streets and opportunities for educational, physical, social, and moral development. The Bank granted donations to the Boys & Girls Clubs of Billerica and Woburn.

COMMUNITY DEVELOPMENT SERVICES

A community development service has community development as its primary purpose and is generally related to the provision of financial services or technical services or assistance. The Bank's community development performance demonstrates an adequate responsiveness to the community development needs of its assessment area.

The following are descriptions of some of the organizations to which Northern Bank & Trust Company's employees lend their financial and technical expertise to benefit the assessment area.

Woburn Council of Social Concern

The organization's primary purpose is to provide services to low-and moderate-income families from the Woburn area. The Council provides a range of services including a food pantry and affordable child care. The organization also developed a Hispanic Program aimed to provide leadership training, interpretation, translation, and cross-cultural education to the local Latino population. The Executive Vice President of the Bank is on the Board of Directors and the Finance Committee of the organization. A Bank Vice President is also on the Board of Directors of this organization.

Woburn Redevelopment Authority Board

The Woburn Redevelopment Authority has served as the City of Woburn's community development agency since July of 2000. The Bank's Executive Vice President is the Chairman of the organization. A Bank Vice President also serves as the organizations Vice Chairman. The Board works with local businesses and developers to bring economic development projects to the City.

The Acton Community Supper

The Acton Community Supper is a non-profit organization that was established to alleviate hunger in the greater Acton, Massachusetts area. The organization provides clothing and a food pantry at no cost to all in need. An Assistant Vice President serves as the Treasurer of this organization.

Billerica Financial Development Corporation

The organization's primary purpose is to promote small business development in the Town of Billerica, which is in the Bank's assessment area. An Assistant Vice President of the Bank served on the Board of Directors of this organization during the examination timeframe.

Other Community Development Services

First Time Homebuyer Seminar

The Bank conducted one first time homebuyer seminar during the time period. The seminar was conducted at the institution's main office in Woburn and was done in partnership with Mass Housing.

In addition, the Bank participates in various programs that benefit low- and moderate-income individuals:

- Basic Banking for Massachusetts – The program encourages people with modest incomes to establish banking relationships. The Bank offers checking accounts which meet the program guidelines.
- Interest on Lawyers Trust Accounts - The interest on these accounts is remitted to the IOLTA Committee on a quarterly basis. The IOLTA Committee donates these funds to charitable organizations that provide legal services to low- and moderate-income clients.
- Home Saver Program – The Home Saver is a counseling and loan program which helps borrowers who are unable to repay their mortgage.

COMPLIANCE WITH ANTI-DISCRIMINATION LAWS AND REGULATIONS

The Bank's compliance with fair lending regulations was reviewed. Violations of the Federal Reserve Board's Regulation B – Equal Credit Opportunity (ECOA) were identified during the concurrent compliance examination of the Bank; however, the Bank's overall CRA rating was not negatively impacted.

APPENDIX A

Fair Lending Policies and Procedures

The Division of Banks provides comments regarding the institution's fair lending policies and procedures pursuant to Regulatory Bulletin 2.3-101.

A review of the Bank's public comment file indicated that the Bank received no complaints pertaining to the institution's CRA performance since the previous examination. Within the Bank's loan and compliance policies, fair lending and fair housing are addressed. Comprehensive Fair Lending Training is provided to the Bank's staff and Board of Directors on an annual basis.

Among the institutions staff are individuals who are bilingual in English, Arabic, Bulgarian, French, German, Greek, Gujarati, Hindi, Indian, Malayalam, Portuguese, Punjabi, Shinhala, Spanish, Tamil and Telugu.

MINORITY APPLICATION FLOW

A review of residential loan applications was conducted in order to determine the number of HMDA-reportable credit applications the Bank received from minority applicants. The Bank's minority application flow for this period was compared with the racial and ethnic composition of the assessment area and the 2008 aggregate data for all other HMDA reporters within the assessment area. The comparison of these data assists in deriving reasonable expectations for the rate of applications the Bank received from minority residential loan applicants.

According to the 2000 Census data, 8.7 percent of the assessment area's population is minorities. The breakout is as follows: 91.3 percent White, 0.9 percent Black, 5.1 percent Asian, 0.1 percent American Indian/Alaskan, 1.5 percent Hispanic, and 1.1 percent reported race as "Other". Of the 4 applications the Bank received, 2 were originated, 1 was approved but not accepted and 1 was denied.

For 2008, the Bank received 2 applications from minority applicants representing 4.4 percent of the total applications. The aggregate's proportion of minority applicants in 2008 stood at 10.2 percent. The Bank received no applications from ethnic minority applicants in 2008.

In 2009, again the Bank received 2 applications. However, because of the decline in volume of applications, this activity now represented 5.4 percent of total applications. The Bank did receive 1 application from an Hispanic applicant representing 2.7 percent of total applications and exceeding the aggregate.

The information shows that the Bank has not achieved parity with the aggregate. However, given the low volume of applications, a relatively minor increase in activity will result in a significant improvement in comparative performance.

APPENDIX B

GEOGRAPHY TERMS

Census Tract: Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Metropolitan Area (MA): One or more large population centers and adjacent communities that have a high degree of economic and social integration. Each MA must contain either a place with a minimum population of 50,000 of Census Bureau-defined urbanized area and a total MA population of at least 100,000 (75,000 in New England). An MA comprises one or more central counties and may include one or more outlying counties that have close economic and social relationships with the central county. In New England, MAs are composed of cities and towns rather than whole counties.

Metropolitan Statistical Area (MSA): One or more metropolitan areas that have economic and social ties.

Primary Metropolitan Statistical Area (PMSA): A large urbanized county or cluster of counties that demonstrate very strong internal economic and social links, in addition to close ties to other portions of the larger area. If an area qualifies as an MA and has more than one million persons, PMSAs may be defined within it.

Consolidated Metropolitan Statistical Area (CMSA): The larger area of which PMSAs are component parts.

Non-Metropolitan Area: All areas outside of metropolitan areas. The definition of non-metropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies; for example, there is generally both urban and rural territory within both metropolitan and non-metropolitan areas.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in: places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin) but excluding the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

HOUSING TERMS

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family which is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

INCOME TERMS

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide non-metropolitan median family income, if a person or geography is located outside an MSA.

Family Income: Includes the income of all members of a family that are age 15 and older.

Household Income: Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households consist of only one person, median household income is usually less than median family income.

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Upper-Income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of a geography.

HUD Adjusted Income Data: The U.S. Department of Housing and Urban Development (HUD) issues annual estimates which update median family income from the metropolitan and non-metropolitan areas. HUD starts with the most recent U.S. Census data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

OTHER TERMS

Home Mortgage Disclosure Loan Application Register (HMDA LAR): The HMDA LARs record all applications received for residential purchase, refinance, home improvement and temporary-to-permanent construction loans.

Small Business Loan: A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations, and Part 345 of the Federal Deposit Insurance Corporation's Rules and Regulations, require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks and the Federal Deposit Insurance Corporation, at 275 Mishwum Rd. Woburn, MA 01801."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agencies, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.